

Sumner Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2011

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Sumner Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2010)		
Roger Shaffer	President	2013
Chris Brinkopf	Vice President	2013
David Hassman	Board Member	2013
Linda Pagel	Board Member	2011
Tyler Larsen	Board Member	2011
Board of Education		
(After September 2010)		
Roger Shaffer	President	2013
David Hassman	Vice President	2013
Chris Brinkopf	Board Member	2013
Linda Pagel	Board Member	2011
Tyler Larsen	Board Member	2011
School Officials		
Rick Pederson	Superintendent	2011
Beverly Weidemann	District Secretary/Business Manager	2011
John Tremaine	Attorney	2011

Independent Auditor's Report

To the Board of Education of
Sumner Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sumner Community School District, Sumner, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.


I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sumner Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 28, 2012 on my consideration of Sumner Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sumner Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

February 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sumner Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,832,391 in fiscal 2010 to \$6,149,961 in fiscal 2011, and General Fund expenditures increased from \$6,006,140 in fiscal 2010 to \$6,042,046 in fiscal 2011. The District's General Fund balance increased from \$920,831 in fiscal year 2010 to \$1,042,847 in fiscal year 2011, a 13.3% increase.
- The District's solvency ratio has increased from 14% at June 30, 2010 to 14.6% at June 30, 2011. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sumner Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sumner Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sumner Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Sumner Community School District Annual Financial Report

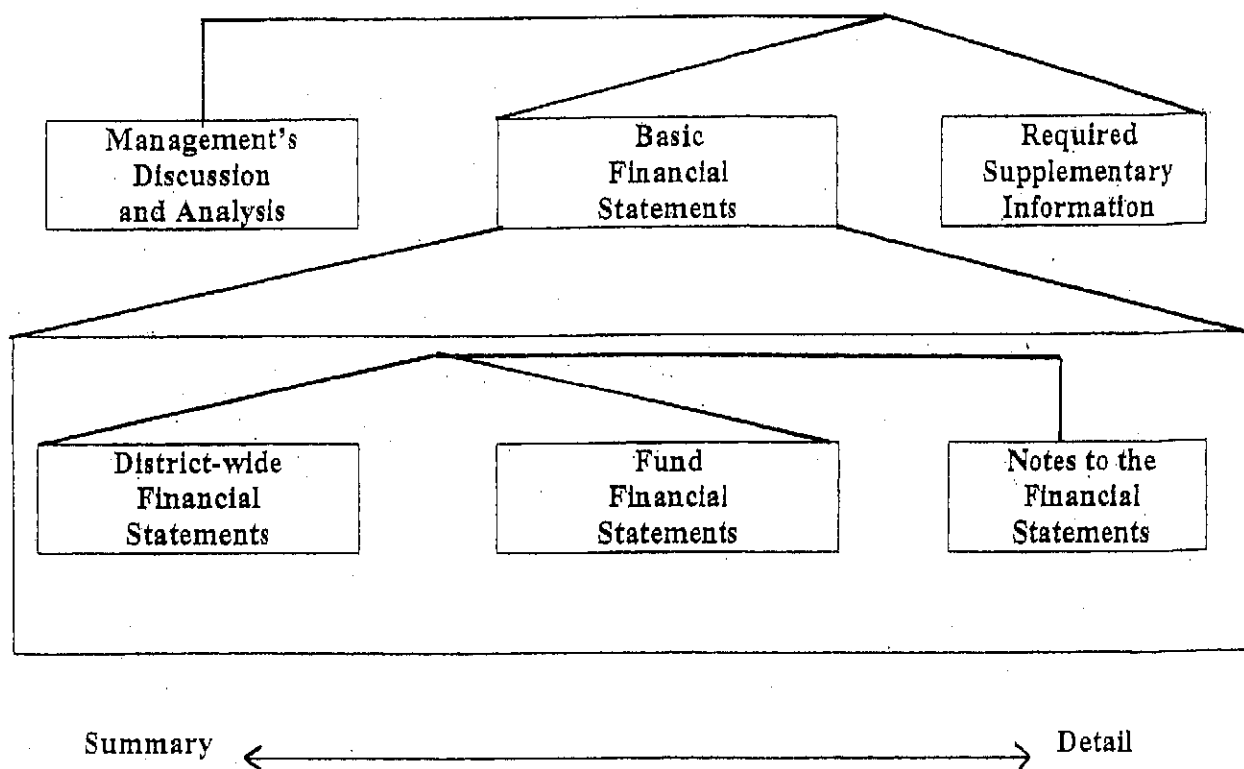


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District's Internal Service Fund, another type of proprietary fund, is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The District currently has one Enterprise Fund, the School Nutrition Fund and one Internal Service Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$7,172,581	\$8,371,838	\$92,196	\$76,620	\$7,264,777	\$8,448,458	-14%
Capital assets	5,005,455	2,424,079	26,682	29,336	5,032,137	2,453,415	105.1%
Total assets	\$12,178,036	\$10,795,917	\$118,878	\$105,956	\$12,296,914	\$10,901,873	12.8%
Long-term liabilities	\$3,719,943	\$3,262,642	\$13,213	\$11,279	\$3,733,156	\$3,273,921	14.0%
Other liabilities	5,257,271	4,770,566	-	-	5,257,271	4,770,566	10.2%
Total liabilities	\$8,977,214	\$8,033,208	\$13,213	\$11,279	\$8,990,427	\$8,044,487	11.8%
Net assets:							
Invested in capital assets, net of related debt	\$100,223	-\$1,985,921	\$26,682	\$29,336	\$126,905	-\$1,956,585	106.5%
Restricted	2,459,690	2,407,117	-	-	2,459,690	2,407,117	2.2%
Unrestricted	640,909	2,341,513	78,983	65,341	719,892	2,406,854	-70.1%
Total net assets	\$3,200,822	\$2,762,709	\$105,665	\$94,677	\$3,306,487	\$2,857,386	15.7%

The District's combined net assets increased by nearly 15.7%, or \$449,101, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$52,573 or 2.2%.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$1,686,962 or 70.1%. The decrease was primarily due to expenditures for the construction of the gym complex and track addition.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-10
Revenues:							
Program revenues:							
Charges for service	\$1,104,380	\$1,047,410	\$211,390	\$158,192	\$1,315,770	\$1,205,602	9.1%
Operating grants, contributions and restricted interest	954,318	1,064,893	95,877	90,394	1,050,195	1,155,287	-9.1%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,601,997	2,216,171	-	-	2,601,997	2,216,171	17.4%
Statewide sales, services and use tax	381,101	351,647	-	-	381,101	351,647	8.4%
Unrestricted state grants	2,051,376	1,873,348	-	-	2,051,376	1,873,348	9.5%
Unrestricted investment earnings	46,166	53,214	478	669	46,644	53,883	-13.4%
Other	151,256	67,968	-	-	151,256	67,968	122.5%
Total revenues	\$7,290,594	\$6,674,651	\$307,745	\$249,255	\$7,598,339	\$6,923,906	9.7%
Program expenses:							
Governmental activities:							
Instruction	\$4,714,994	\$4,515,382	\$48,992	\$-	\$4,763,986	\$4,515,382	5.2%
Support services	1,744,363	1,698,679	-	-	1,744,363	1,698,679	2.7%
Non-instructional programs	-	18	247,765	266,516	247,765	266,534	8.0%
Other expenses	441,207	375,636	-	-	441,207	375,636	17.5%
Total expenses	\$6,900,564	\$6,589,715	\$296,757	\$266,516	\$7,197,321	\$6,856,231	5.0%
Change in net assets	\$390,030	\$84,936	\$10,988	-\$17,261	\$401,018	\$67,675	592.6%

In fiscal year 2011, property tax and unrestricted state grants account for 61.2% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.8% of business type activities revenue.

The District's total revenues were approximately \$7.6 million, of which approximately \$7.3 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.7% increase in revenues and a 5% increase in expenses. Property tax increased approximately \$385,826 to fund the increase in expenses. The increase in expenses is related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$7,290,594 and expenses were \$6,900,564 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services		Change	Net Cost of Services		Change
	2011	2010	2010-2011	2011	2010	2010-2011
Instruction	\$4,714,994	\$4,515,382	4.4%	\$2,785,872	\$2,518,338	10.6%
Support services	1,744,363	1,698,679	2.7%	1,614,787	1,583,420	2.0%
Non-instructional programs	-	18	-100.0%	-	18	-100.0%
Other expenses	441,207	375,636	17.5%	441,207	375,636	17.5%
Totals	\$6,900,564	\$6,589,715	4.7%	\$4,841,866	\$4,477,412	8.1%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,315,770.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,050,195.
- The net cost of governmental activities was financed with \$2,983,098 in property and other taxes and \$2,051,376 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$307,745 and expenses were \$296,757. The District's business type activities include the School Nutrition Fund and Internal Service-Self Funded Insurance. Fund Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sumner Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,449,813, below last year's ending fund balances of \$5,167,144 due to expenditures for facilities acquisitions.

Governmental Fund Highlights

- The General Fund balance increased from \$920,831 to \$1,042,847 due, in part, to the increase in local and state sources.
- The Debt Service Fund balance increased from \$474,477 at the end of the fiscal year 2010 to \$780,307 at the end of fiscal year 2011. The increase was due to operating transfers in for debt payments that haven't been made yet.
- Capital Projects Fund balance decreased from \$3,513,483 to \$1,423,521 due in part to the expenditures for the construction of the gym complex and track addition.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$94,677 at June 30, 2010 to \$85,582 at June 30, 2011, representing a decrease of approximately 10.6%.
- The Internal Service Fund was created during the current fiscal year for a self-funded insurance program.

BUDGETARY HIGHLIGHTS

The District's receipts were \$81,471 less than budgeted receipts, a variance of 1.1%. The most significant variance resulted from the District receiving less in state sources.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$5,032,137, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 205% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$198,067.

The original cost of the District's capital assets was \$10,466,587. Governmental funds account for \$10,427,062, with the remainder of \$39,525 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,926,916 at June 30, 2011. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation capital loan notes of \$1,980,000 in fiscal year 2010 and an \$810,000 revenue bond in fiscal year 2011 for the construction of the gym complex and track addition.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$3,261	\$3,261	\$-	\$-	\$3,261	\$3,261	-
Construction in process	1,926,916	188,047	-	-	1,926,916	188,047	1,024.7%
Buildings	1,823,399	1,887,793	-	-	1,823,399	1,887,793	-3.4%
Improvements other than buildings	907,515	26,365	-	-	907,515	26,365	3,442.1%
Furniture and equipment	344,364	318,613	26,682	29,336	371,046	347,949	6.6%
Totals	\$5,005,455	\$2,424,079	\$26,682	\$29,336	\$5,032,137	\$2,453,415	205.1%

Long-Term Debt

At June 30, 2011, the District had \$4,905,232 in general obligation and other long-term debt outstanding. This represents an increase of 11.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issued to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$14.3 million.

In August 2010, the District's voters authorized the issuance of \$810,000 in statewide sales, services and use tax revenue bonds to pay for construction of, furnishings and equipment for a gym complex and track addition.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General Obligation Capital Loan Note	\$1,800,000	\$1,980,000	-9.1%
Revenue Bonds	3,090,000	2,430,000	27.2%
Capital Lease	15,232	-	100.0%
Totals	\$4,905,232	\$4,410,000	11.2%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances which could significantly affect its financial health in the future:

- Enrollment continues to be a concern. Actual certified enrollment increased last year from 559 to 574 students.
- Construction projects were underway at the end of the fiscal year that will improve the track and gym areas of the school.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bev Weidemann, District Secretary and Business Manager, Sumner Community School District, 802 West 6th Street, P.O. Box 178, Sumner IA 50674-0178.

Basic Financial Statements

Sumner Community School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 4,244,199	\$ 80,438	\$ 4,324,637
Receivables:			
Property tax:			
Delinquent	22,730	-	22,730
Succeeding year	2,452,880	-	2,452,880
Accounts	19,121	4,105	23,226
Due from other governments	359,702	-	359,702
Inventories	-	7,653	7,653
Prepaid - OPEB	73,949	-	73,949
Capital assets, net of accumulated depreciation	5,005,455	26,682	5,032,137
Total Assets	\$ 12,178,036	\$ 118,878	\$ 12,296,914
Liabilities			
Accounts payable	\$ 355,932	\$ 240	\$ 356,172
Accrued interest	71,124	-	71,124
Deferred revenue-succeeding year property tax	2,452,880	-	2,452,880
Deferred revenue-other	342,941	5,405	348,346
Salaries and benefits payable	497,066	7,568	504,634
Long-term liabilities:			
Portion due within one year:			
General obligation capital note	185,000	-	185,000
Revenue bonds	155,000	-	155,000
Early retirement	61,076	-	61,076
Capital lease	15,232	-	15,232
Portion due after one year:			
General obligation capital note	1,615,000	-	1,615,000
Revenue bonds	2,935,000	-	2,935,000
Early retirement	290,963	-	290,963
Total Liabilities	\$ 8,977,214	\$ 13,213	\$ 8,990,427
Net Assets			
Invested in capital assets, net of related debt	\$ 100,223	\$ 26,682	\$ 126,905
Restricted for:			
Categorical funding	157,759	-	157,759
Capital projects	1,127,428	-	1,127,428
Physical plant and equipment	296,093	-	296,093
Student activities	98,103	-	98,103
Debt service	440,969	-	440,969
Debt service - sinking	339,338	-	339,338
Unrestricted	640,909	78,983	719,892
Total Net Assets	\$ 3,200,822	\$ 105,665	\$ 3,306,487

See notes to financial statements.

Sumner Community School District

Statement of Activities

Year Ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,097,444	\$ 668,903	\$ 762,452	\$ -
Special instruction	659,291	84,591	170,822	-
Other instruction	958,259	224,528	17,826	-
	<u>\$ 4,714,994</u>	<u>\$ 978,022</u>	<u>\$ 951,100</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 136,975	\$ 54,739	\$ 3,218	\$ -
Instructional staff services	78,868	-	-	-
Administration services	683,393	69,533	-	-
Operation and maintenance of plant services	531,964	2,086	-	-
Transportation services	313,163	-	-	-
	<u>\$ 1,744,363</u>	<u>\$ 126,358</u>	<u>\$ 3,218</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 20,719	\$ -	\$ -	\$ -
Long-term debt interest	178,691	-	-	-
AEA flow-through	241,797	-	-	-
	<u>\$ 441,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 6,900,564</u>	<u>\$ 1,104,380</u>	<u>\$ 954,318</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 247,765	\$ 142,357	\$ 95,877	\$ -
Instructions:				
Internal service operations	48,992	69,033	-	-
Total Business Type Activities	<u>\$ 296,757</u>	<u>\$ 211,390</u>	<u>\$ 95,877</u>	<u>\$ -</u>
Total	<u>\$ 7,097,321</u>	<u>\$ 1,315,770</u>	<u>\$ 1,050,195</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,666,089	\$	-	\$ -1,666,089
	-403,878		-	-403,878
	-715,905		-	-715,905
\$	-2,785,872	\$	-	\$ -2,785,872
\$	-79,018	\$	-	\$ -79,018
	-78,868		-	-78,868
	-613,860		-	-613,860
	-529,878		-	-529,878
	-313,163		-	-313,163
\$	-1,614,787	\$	-	\$ -1,614,787
\$	-20,719	\$	-	\$ -20,719
	-178,691		-	-178,691
	-241,797		-	-241,797
\$	-441,207	\$	-	\$ -441,207
\$	-4,841,866	\$	-	\$ -4,841,866
\$	-	\$	-9,531	\$ -9,531
	-		20,041	20,041
\$	-	\$	10,510	\$ 10,510
\$	-4,841,866	\$	10,510	\$ -4,831,356

Sumner Community School District

Statement of Activities

Year Ended June 30, 2011

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

General Revenues:

Property Tax Levied For:
 General purposes
 Capital outlay
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total General Revenues

Change in net assets before other sources

Other Sources:

 Sale of assets

Change in net assets

Net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 2,311,664	\$ -	\$ 2,311,664
290,333	-	290,333
381,101	-	381,101
2,051,376	-	2,051,376
46,166	478	46,644
151,256	-	151,256
<hr/>		
\$ 5,231,896	\$ 478	\$ 5,232,374
<hr/>		
\$ 390,030	\$ 10,988	\$ 401,018
14,101	-	14,101
<hr/>		
\$ 404,131	\$ 10,988	\$ 415,119
2,796,691	94,677	2,891,368
<hr/>		
\$ 3,200,822	\$ 105,665	\$ 3,306,487
<hr/>		

Sumner Community School District

Balance Sheet
Governmental Funds

June 30, 2011

Assets	General	Capital Projects	Debt Service	Non-major	Total
Cash and Pooled Investments	\$ 1,593,985	\$ 1,644,040	\$ 780,299	\$ 225,875	\$ 4,244,199
Receivables:					
Property Tax:					
Delinquent	18,153	2,849	-	1,728	22,730
Succeeding year	1,991,975	300,904	-	160,001	2,452,880
Accounts	18,440	-	8	673	19,121
Due from other governments	275,678	84,024	-	-	359,702
Total Assets	\$ 3,898,231	\$ 2,031,817	\$ 780,307	\$ 388,277	\$ 7,098,632
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 40,764	\$ 307,392	\$ -	\$ 7,776	\$ 355,932
Salaries and benefits payable	479,704	-	-	17,362	497,066
Deferred Revenue:					
Succeeding year property tax	1,991,975	300,904	-	160,001	2,452,880
Other	342,941	-	-	-	342,941
Total Liabilities	\$ 2,855,384	\$ 608,296	\$ -	\$ 185,139	\$ 3,648,819
Fund Balances:					
Restricted for:					
Categorical funding	\$ 157,759	\$ -	\$ -	\$ -	\$ 157,759
Debt service - sinking	-	-	339,338	-	339,338
Debt service	-	-	440,969	-	440,969
Management levy purposes	-	-	-	105,035	105,035
Student activities	-	-	-	98,103	98,103
School infrastructure	-	1,127,428	-	-	1,127,428
Physical plant and equipment	-	296,093	-	-	296,093
Unassigned	885,088	-	-	-	885,088
Total Fund Balances	\$ 1,042,847	\$ 1,423,521	\$ 780,307	\$ 203,138	\$ 3,449,813
Total Liabilities and Fund Balances	\$ 3,898,231	\$ 2,031,817	\$ 780,307	\$ 388,277	\$ 7,098,632

See notes to financial statements.

Sumner Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (page 16)	\$ 3,449,813
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	5,005,455
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	73,949
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-71,124
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-5,257,271</u>
Net assets of governmental activities (page 13)	<u>\$ 3,200,822</u>

See notes to financial statements.

Sumner Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2011

	General	Capital Projects	Debt Service	Non-Major	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,131,825	\$ 671,435	\$ -	\$ 179,839	\$ 2,983,099
Tuition	681,366	-	-	-	681,366
Other	331,353	35,405	3,259	250,418	620,435
Intermediate sources	-	-	-	-	-
State sources	2,688,554	171	-	106	2,688,831
Federal sources	316,863	-	-	-	316,863
Total Revenues	\$ 6,149,961	\$ 707,011	\$ 3,259	\$ 430,363	\$ 7,290,594
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,911,242	\$ 45,012	\$ -	\$ 99,663	\$ 3,055,917
Special instruction	659,291	-	-	-	659,291
Other instruction	714,811	-	-	252,756	967,567
	\$ 4,285,344	\$ 45,012	\$ -	\$ 352,419	\$ 4,682,775
Support Services:					
Student services	\$ 136,975	\$ -	\$ -	\$ -	\$ 136,975
Instructional staff services	78,868	-	-	-	78,868
Administration services	565,659	105,781	-	8,515	679,955
Operation and maintenance of plant services	483,797	15,438	-	43,763	542,998
Transportation services	249,606	75,411	-	20,881	345,898
	\$ 1,514,905	\$ 196,630	\$ -	\$ 73,159	\$ 1,784,694
Other Expenditures:					
Facilities acquisition	\$ -	\$ 2,642,477	\$ -	\$ -	\$ 2,642,477
Long-Term Debt:					
Principal	-	-	345,232	-	345,232
Interest and fees	-	-	165,515	-	165,515
AEA flow-through	241,797	-	-	-	241,797
	\$ 241,797	\$ 2,642,477	\$ 510,747	\$ -	\$ 3,395,021
Total Expenditures	\$ 6,042,046	\$ 2,884,119	\$ 510,747	\$ 425,578	\$ 9,862,490
Excess (deficiency) of revenues over (under) expenditures	\$ 107,915	\$ -2,177,108	\$ -507,488	\$ 4,785	\$ -2,571,896
Other Financing Sources (Uses):					
Lease proceeds	\$ -	\$ 30,464	\$ -	\$ -	\$ 30,464
Proceeds from revenue bonds	-	810,000	-	-	810,000
Operating transfers in	-	-	813,318	-	813,318
Operating transfers out	-	-813,318	-	-	-813,318
Sale of assets	14,101	-	-	-	14,101
Total Other Financing Sources (Uses)	\$ 14,101	\$ 27,146	\$ 813,318	\$ -	\$ 854,565
Net change in fund balances	\$ 122,016	\$ -2,149,962	\$ 305,830	\$ 4,785	\$ -1,717,331
Fund balances beginning of year, as restated	920,831	3,573,483	474,477	198,353	5,167,144
Fund Balances End of Year	\$ 1,042,847	\$ 1,423,521	\$ 780,307	\$ 203,138	\$ 3,449,813

See notes to financial statements.

Sumner Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2011

Net change in fund balances – total governmental funds (page 18) **\$ -1,717,331**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 2,779,443	
Depreciation expense	<u>-198,067</u>	2,581,376

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as

Issued	\$ -840,464	
Repaid	<u>345,232</u>	-495,232

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

-13,176

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	\$ 39,967	
Early retirement	<u>8,527</u>	48,494

Change in Net Assets of Governmental Activities (page 15) **\$ 404,131**

Sumner Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Internal Service Fund	School Nutrition Fund
Assets		
Cash and cash equivalents	\$ 20,083	\$ 60,355
Accounts receivable	-	4,105
Inventories	-	7,653
Capital assets, net of accumulated depreciation	-	26,682
Total Assets	\$ 20,083	\$ 98,795
Liabilities		
Accounts payable	\$ -	\$ 240
Salaries and benefits payable	-	7,568
Deferred revenue	-	5,405
Total Liabilities	\$ -	\$ 13,213
Net Assets		
Invested in capital assets, net of related debt	\$ -	\$ 26,682
Unrestricted	20,083	58,900
Total Net Assets	\$ 20,083	\$ 85,582

See notes to financial statements.

Sumner Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year Ended June 30, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 142,357
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 87,298
Benefits	12,268
Purchased services	2,361
Supplies	141,226
Depreciation	3,294
Other	1,318
Total operating expenses	\$ 247,765
Operating loss	\$ -105,408
Non-operating revenues:	
State sources	\$ 2,375
Federal sources	93,502
Interest income	436
Total non-operating revenues	\$ 96,313
Change in net assets	\$ -9,095
Net assets beginning of year	94,677
Net Assets End of Year	\$ 85,582

See notes to financial statements.

Sumner Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 144,038
Cash paid to employees for services	-98,904
Cash paid to suppliers for goods or services	-122,798
Net cash used by operating activities	<u>\$ -77,664</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,375
Federal grants received	72,861
Net cash provided by non-capital financing activities	<u>\$ 75,236</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -639</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 436</u>
Net decrease in cash and cash equivalents	\$ -2,631
Cash and cash equivalents beginning of year	<u>62,986</u>
Cash and Cash Equivalents End of Year	<u>\$ 60,355</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -105,408
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	20,641
Depreciation	3,294
Decrease in inventories	2,289
(Increase) in accounts receivable	-413
(Decrease) in accounts payable	-823
Increase in deferred revenue	2,094
Increase in accrued salaries and benefits	662
Net Cash Used by Operating Activities	<u>\$ -77,664</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$20,641 of federal commodities.

See notes to financial statements.

Sumner Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2011

	<u>Internal Service</u>
Operating revenues:	
Local sources:	
Other revenue	<u>\$ 69,033</u>
Operating expenses:	
Instruction:	
Benefits	<u>\$ 48,992</u>
Operating income	<u>\$ 20,041</u>
Non-operating revenues:	
Interest income	<u>42</u>
Change in net assets	<u>\$ 20,083</u>
Net assets beginning of year	<u>-</u>
Net Assets End of Year	<u>\$ 20,083</u>

See notes to financial statements.

Sumner Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2011

	Internal Service
Cash flows from operating activities:	
Cash received from collections	\$ 69,033
Cash payments for employee benefits	-48,992
Net cash provided by operating activities	<u>\$ 20,041</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 42</u>
Net increase in cash and cash equivalents	\$ 20,083
Cash and cash equivalents beginning of year	<u>-</u>
Cash and Cash Equivalents End of Year	<u>\$ 20,083</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 20,041
Adjustments to reconcile operating income to net cash used by operating activities	-
Net Cash Used by Operating Activities	<u>\$ 20,041</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on combined balance sheet:	
Current Assets:	
Cash	<u>\$ 20,083</u>

See notes to financial statements.

Sumner Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2011

	Private Purpose Trust Scholarships
Assets	
Cash and pooled investments	\$ 376,782
Accrued interest receivable	384
Total Assets	\$ 377,166
Liabilities	
Accounts payable	\$ -
Net assets	
Reserved for scholarships	\$ 377,166

See notes to financial statements.

Sumner Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2011

	Private Purpose Trust Scholarships
Additions:	
Local sources:	
Gifts and contributions	\$ 555
Interest income	14,232
Other income	50,467
Total additions	<u>\$ 65,254</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>\$ 19,900</u>
Change in net assets	\$ 45,514
Net assets beginning of year	<u>331,812</u>
Net Assets End of Year	<u>\$ 377,166</u>

See notes to financial statements.

Sumner Community School District

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Sumner Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sumner, Iowa and portions of the predominately agricultural territories in Chickasaw, Fayette and Bremer Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

Effective July 1, 2004, the Sumner Community School District and the Fredericksburg Community School District have entered into a whole grade sharing agreement.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sumner Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Sumner Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 813,318

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,261	\$ -	\$ -	\$ 3,261
Construction in process	188,047	1,926,916	188,047	1,926,916
Total capital assets not being depreciated	\$ 191,308	\$ 1,926,916	\$ 188,047	\$ 1,930,177
Capital assets being depreciated:				
Buildings	\$ 4,109,442	\$ 3,744	\$ -	\$ 4,113,186
Improvements other than buildings	34,773	882,889	-	917,662
Furniture and equipment	3,343,153	153,941	31,057	3,466,037
Total capital assets being depreciated	\$ 7,487,368	\$ 1,040,574	\$ 31,057	\$ 8,496,885
Less accumulated depreciation for:				
Buildings	\$ 2,221,649	\$ 68,138	\$ -	\$ 2,289,787
Improvements other than buildings	8,408	1,739	-	10,147
Furniture and equipment	3,024,540	128,190	31,057	3,121,673
Total accumulated depreciation	\$ 5,254,597	\$ 198,067	\$ 31,057	\$ 5,421,607
Total capital assets being depreciated, net	\$ 2,232,771	\$ 842,507	\$ -	\$ 3,075,278
Governmental Activities Capital Assets, Net	\$ 2,424,079	\$ 2,769,423	\$ 188,047	\$ 5,005,455

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 39,656	\$ 639	\$ 770	\$ 39,525
Less accumulated depreciation	10,319	3,294	770	12,843
Business Type Activities Capital Assets, Net	\$ 29,337	\$ -2,655	\$ -	\$ 26,682

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular

\$ 138,545
11,333

Other

Support services:

Administration

3,438

Operation and maintenance of plant

1,275

Transportation

43,476

Total Depreciation Expense – Governmental Activities

\$ 198,067

Business Type Activities:

Food service operations

\$ 3,294

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General Obligation Capital Loan Note	\$ 1,980,000	\$ -	\$ 180,000	\$ 1,800,000	\$ 185,000
Revenue bond	2,430,000	810,000	150,000	3,090,000	155,000
Capital lease	30,464	-	15,232	15,232	15,232
Early retirement	360,566	25,195	33,722	352,039	61,076
Total	\$ 4,801,030	\$ 835,195	\$ 378,954	\$ 5,257,271	\$ 411,308

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2011 totaled \$33,722. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liability section representing the District's commitment to fund non-current early retirement, which consist of health insurance premiums at various current rates of \$222.70 to \$527.02 per month for a total of \$352,039 at June 30, 2011.

Capital Lease

On January 11, 2010 the District entered into a Capital Lease to purchase computers with Apple Inc in the amount of \$45,696.19 with lease payments of \$15,232.06 due January 11 for 3 years. The balance due at June 30, 2011 was \$15,232.06.

General Obligation Capital Loan Note

Details of the District's June 30, 2011 General Obligation Capital Loan Note indebtedness is as follows:

Year Ending June 30,	Issued May 1, 2011			
	Interest Rate	Principal	Interest	Total
2012	2.0%	\$185,000	\$47,281	\$232,281
2013	2.0%	185,000	43,581	228,581
2014	2.0%	190,000	39,881	229,881
2015	2.0%	195,000	36,081	231,081
2016	3.0%	195,000	32,181	227,181
2017	3.0%	200,000	26,331	226,331
2018	3.0%	210,000	20,331	230,331
2019	3.125%	215,000	14,031	229,031
2020	3.25%	225,000	7,313	232,313
Total		\$1,800,000	\$267,011	\$2,067,011

Revenue Bonds

Details of the District's June 30, 2011 Statewide Sales, Services and Use Tax Revenue bonded indebtedness are as follows:

Series 2008

Year Ending June 30,	Bond Issue of December 19, 2008			
	Interest Rate	Principal	Interest	Total
2012	3.75%	\$155,000	\$90,421	\$245,421
2013	3.85%	165,000	84,339	249,339
2014	3.90%	170,000	77,847	247,847
2015	3.95%	170,000	71,175	241,175
2016	4.00%	175,000	64,318	239,318
2017	4.05%	180,000	57,172	237,172
2018	4.10%	190,000	49,633	239,633
2019	4.15%	195,000	41,691	236,691
2020	4.20%	205,000	33,340	238,340
2021	4.25%	215,000	24,466	239,466
2022	4.30%	225,000	15,060	240,060
2023	4.35%	235,000	5,111	240,111
Total		\$2,280,000	\$614,573	\$2,894,573

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,750,000 bonds issued in December 2008. The bonds were issued for the purpose of financing a portion of the costs of a school addition and remodel. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,894,573. For the current year, \$150,000 of principal and \$96,065 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$381,101.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$258,338 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Revenue Bonds

Series 2010 A & B

Year Ending June 30,	Bond Issue of August 3, 2010			
	Interest Rate	Principal	Interest	Total
2012	4.20%	\$-	\$36,167	\$36,167
2013	4.20%	-	36,168	36,168
2014	4.20%	-	36,167	36,167
2015	4.20%	-	36,168	36,168
2016	4.20%	-	36,167	36,167
2017	4.20%	-	36,168	36,168
2018	4.20%	-	36,167	36,167
2019	4.20%	-	36,168	36,168
2020	4.20%	-	36,167	36,167
2021	4.20%	-	36,168	36,168
2022	4.20%	-	36,167	36,167
2023	4.20%	-	36,168	36,168
2024	4.20%	105,000	33,963	138,963
2025	4.25%	105,000	29,526	134,526
2026	4.30%	110,000	24,930	134,930
2027	4.45%	115,000	20,006	135,006
2028	4.55%	120,000	11,718	131,718
2029	4.65%	125,000	9,081	134,081
2030	4.75%	130,000	3,087	133,087
Total		\$810,000	\$566,321	\$1,376,321

The District has pledged future statewide sales, services and use tax revenues to repay the \$810,000 bonds issued in August 2010. The bonds were issued for the purpose of financing a portion of the costs to construct, furnish and equip an athletic facility addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 25 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,376,321. For the current year, no principal and \$14,869 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$381,101.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$81,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax revenue shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purposes.

(6) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 46 active and 18 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011; the amount actually contributed to the plan and changes in the County's net OPEB obligations:

Annual required contribution	\$	68,946	
Interest on net OPEB obligation		-847	
Adjustment to annual required contribution		-4,249	
Annual OPEB cost	\$	63,850	
Contributions made		-103,907	
Increase in net OPEB obligation	\$	-40,057	
Net OPEB obligation beginning of year		-33,892	
Net OPEB obligation end of year	\$	-73,949	*

*Negative means prepaid (asset)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$381,935 to the medical plan. Plan members eligible for benefits contributed \$50,933, or 11.8% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$69,188	1.49%	-\$33,982
June 30, 2011	\$68,946	1.58%	-\$40,057

Funded Status and Funding Progress – As of July 1, 2009, the actuarial accrued liability was \$771,904, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$771,904. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,313,350 and the ratio of the UAAL to covered payroll was 33.4%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$624.26 per month for retirees less than age 65 and \$250 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$189,468, \$189,300, and \$176,772, respectively, equal to the required contributions for each year.

(8) Risk Management

Sumner Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$241,797 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Commitments

The District entered into various projects during the year. The gym complex and track addition contracts were \$2,426,254 with \$1,926,916 in construction in process at June 30, 2011. The balance of \$499,338 remaining at June 30, 2011 will be paid as work on the projects is completed.

(11) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Gifted and Talented	\$ 14,765
Teacher Salary Supplement	26,248
Beginning Teacher Mentoring	172
Core Curriculum	15,923
Professional Development	12,502
Market Factor	789
Dropout Prevention	64,394
Voluntary Preschool	22,966
	<u>\$ 157,759</u>

(12) Subsequent Events

The District has evaluated subsequent events through February 28, 2012 which is the date that the financial statements were available to be issued.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 1,556,695	\$ 2,016,788
Change in fund type classification per implementation of GASB Statement No. 54	2,016,788	-2,016,788
Balances July 1, 2010, as restated	<u>\$ 3,573,483</u>	<u>\$ -</u>

Required Supplementary Information

Sumner Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 4,284,900	\$ 142,793
Intermediate sources	-	-
State sources	2,688,831	2,375
Federal sources	316,863	93,502
Total Receipts	<u>\$ 7,290,594</u>	<u>\$ 238,670</u>
Disbursements:		
Instruction	\$ 4,682,775	\$ -
Support services	1,784,694	-
Non-instructional programs	-	247,765
Other expenditures	3,395,021	-
Total Disbursements	<u>\$ 9,862,490</u>	<u>\$ 247,765</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -2,571,896	\$ -9,095
Other financing sources, net	<u>854,565</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -1,717,331	\$ -9,095
Balances beginning of year	<u>5,167,144</u>	<u>94,677</u>
Balances End of Year	<u>\$ 3,449,813</u>	<u>\$ 85,582</u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Amounts		Budgeted To Actual Variance
\$	4,427,693	\$	4,445,471	\$	-17,778
	-		-		-
	2,691,206		2,880,264		-189,058
	410,365		285,000		125,365
\$	7,529,264	\$	7,610,735	\$	-81,471
\$	4,682,775	\$	5,377,120	\$	694,345
	1,784,694		2,001,887		217,193
	247,765		340,000		92,235
	3,395,021		5,257,468		1,862,447
\$	10,110,255	\$	12,976,475	\$	2,866,220
\$	-2,580,991	\$	-5,365,740	\$	2,784,749
	854,565		805,000		49,565
\$	-1,726,426	\$	-4,560,740	\$	2,834,314
	5,261,821		5,681,057		-419,236
\$	3,535,395	\$	1,120,317	\$	2,415,078

Sumner Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Non-Expendable Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Sumner Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	June 1, 2009	-	\$868	\$868	0.0%	\$2,493	34.8%
2011	June 1, 2009	-	\$772	\$772	0.0%	\$2,313	33.4%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Sumner Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 120,011	\$ 105,864	\$ 225,875
Receivables:			
Property Tax:			
Delinquent	1,728	-	1,728
Succeeding year	160,001	-	160,001
Accounts	84	589	673
Total Assets	\$ 281,824	\$ 106,453	\$ 388,277
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ 7,776	\$ 7,776
Salaries and benefits payable	16,788	574	17,362
Deferred revenue:			
Succeeding year property tax	160,001	-	160,001
Total Liabilities	\$ 176,789	\$ 8,350	\$ 185,139
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 105,035	\$ -	\$ 105,035
Student activities	-	98,103	98,103
Total Fund Balances	\$ 105,035	\$ 98,103	\$ 203,138
Total Liabilities and Fund Balances	\$ 281,824	\$ 106,453	\$ 388,277

See accompanying independent auditor's report.

Sumner Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds**

Year Ended June 30, 2011

	<u>Special Revenue</u>		
	Management Levy	Student Activity	Total
Revenues:			
Local Sources:			
Local tax	\$ 179,839	\$ -	\$ 179,839
Other	7,866	242,552	250,418
State sources	106	-	106
Total Revenues	<u>\$ 187,811</u>	<u>\$ 242,552</u>	<u>\$ 430,363</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 99,663	\$ -	\$ 99,663
Other instruction	-	252,756	252,756
Support Services:			
Administrative	8,515	-	8,515
Operation & maintenance of plant services	43,763	-	43,763
Transportation services	14,285	6,596	20,881
Total Expenditures	<u>\$ 166,226</u>	<u>\$ 259,352</u>	<u>\$ 425,578</u>
Net change in fund balance	\$ 21,585	\$ -16,800	\$ 4,785
Fund balances beginning of year	83,450	114,903	198,353
Fund Balances End of Year	<u>\$ 105,035</u>	<u>\$ 98,103</u>	<u>\$ 203,138</u>

See accompanying independent auditor's report.

Sumner Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,043,404	\$ 600,636	\$ 1,644,040
Receivables:			
Property Tax:			
Delinquent	-	2,849	2,849
Succeeding year	-	300,904	300,904
Due from other governments	84,024	-	84,024
Total Assets	\$ 1,127,428	\$ 904,389	\$ 2,031,817
Liabilities & Fund Equity			
Liabilities:			
Accounts payable	\$ -	\$ 307,392	\$ 307,392
Deferred revenue:			
Succeeding year property tax	-	300,904	300,904
Total Liabilities	\$ -	\$ 608,296	\$ 608,296
Fund Balances:			
Restricted for:			
School infrastructure	\$ 1,127,428	\$ -	\$ 1,127,428
Physical plant and equipment	-	296,093	296,093
Total fund balances	\$ 1,127,428	\$ 296,093	\$ 1,423,521
Total Liabilities and Fund Balances	\$ 1,127,428	\$ 904,389	\$ 2,031,817

See accompanying independent auditor's report.

Sumner Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts**

Year Ended June 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects Fund	Total
Revenues:				
Local Sources:				
Local tax	\$ 381,101	\$ 290,334	\$ -	\$ 671,435
Other	4,322	27,183	3,900	35,405
State sources	-	171	-	171
Total Revenues	\$ 385,423	\$ 317,688	\$ 3,900	\$ 707,011
Expenditures:				
Instruction:				
Regular instruction	\$ -	\$ 45,012	\$ -	\$ 45,012
Support Services:				
Administration services	-	14,339	91,442	105,781
Operation and maintenance of plant services	2,525	12,913	-	15,438
Transportation services	-	75,411	-	75,411
Other Expenditures:				
Facilities acquisition	819	1,469,618	1,172,040	2,642,477
Total Expenditures	\$ 3,344	\$ 1,617,293	\$ 1,263,482	\$ 2,884,119
Excess (deficiency) of revenues over (under) expenditures	\$ 382,079	\$ -1,299,605	\$ -1,259,582	\$ -2,177,108
Other Financing Sources (Uses):				
Capital lease proceeds	\$ -	\$ 30,464	\$ -	\$ 30,464
Revenue bond proceeds	810,000	-	-	810,000
Operating transfer in	-	-	810,000	810,000
Operating transfers (out)	-1,090,764	-451,554	-81,000	-1,623,318
Total other financing sources (uses)	\$ -280,764	\$ -421,090	\$ 729,000	\$ 27,146
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 101,315	\$ -1,720,695	\$ -530,582	\$ -2,149,962
Fund balances beginning of year, as restated	1,026,113	2,016,788	530,582	3,573,483
Fund Balances End of Year	\$ 1,127,428	\$ 296,093	\$ -	\$ 1,423,521

See accompanying independent auditor's report.

Sumner Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues And Inter-fund Transfers	Expenditures	Intra- fund Transfers	Balance End of Year
Annual	\$ 7,228	\$ 12,200	\$ 15,764	\$ -1	\$ 3,663
Senior High Athletics	26,686	104,570	124,817	27	6,466
Wellness	-	2,600	1,985	-	615
Class of 2009	128	-	-	1	129
Class of 2010	775	-	776	1	-
Class of 2011	2,365	2,168	4,533	-	-
Class of 2012	1,393	6,250	4,488	-	3,155
Class of 2013	377	1,019	160	-	1,236
Class of 2014	-	570	4	-	566
Dramatics	7	4,516	4,744	-	-221
Durant D.O.O.R.S.	19,207	29,913	21,466	-	27,654
Durant Activities	2,978	3,446	1,137	-2	5,285
Future Farmers of America	21,656	30,238	25,981	-1	25,912
Future Homemakers of America – Senior High	377	5,244	5,357	1	265
General	9,472	6,262	12,081	2	3,655
Instrumental Music	1,357	2,172	3,304	-	225
Senior High Activities	184	1,217	1,756	-26	-381
Get a Grip	1,218	1,367	1,127	-	1,458
National Honor Society	6	383	345	-	44
RIF	775	-	-	-	775
Spanish Fundraising	2,253	-	-	-	2,253
Student Senate-Senior High	6,059	5,367	6,026	-1	5,399
Vocal Music	10,402	23,050	23,501	-1	9,950
Total	\$ 114,903	\$ 242,552	\$ 259,352	\$ -	\$ 98,103

See accompanying independent auditor's report.

Sumner Community School District

**Combining Balance Sheet
Private Purpose Trusts
Scholarships**

June 30, 2011

	Sandra Trout Scholarship	Marilyn Leyh Scholarship	Vay Hurmency Scholarship	Michael Buhr Scholarship
Assets				
Cash	\$ 83	\$ 458	\$ 9,389	\$ 26,576
Investments	301,298	-	-	-
Accrued interest receivable	-	-	-	156
Total Assets	\$ 301,381	\$ 458	\$ 9,389	\$ 26,732
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund Balances:				
Unreserved, undesignated	301,381	458	9,389	26,732
Total Liabilities and Fund Equity	\$ 301,381	\$ 458	\$ 9,389	\$ 26,732

See accompanying independent auditor's report.

Boehm-Kooper Scholarship		Schult Scholarship		Total
\$	2,012	\$	36,966	\$ 75,484
	-		-	301,298
	-		228	384
<hr/>				
\$	2,012	\$	37,194	\$ 377,166
<hr/>				
\$	-	\$	-	\$ -
<hr/>				
	2,012		37,194	377,166
<hr/>				
\$	2,012	\$	37,194	\$ 377,166
<hr/>				

Sumner Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships**

Year Ended June 30, 2011

	Sandra Trout Scholarship	Marilyn Leyh Scholarship	Vay Hurmency Scholarship	Michael Buhr Scholarship
Revenues:				
Local Sources:				
Interest on investments	\$ 12,836	\$ 6	\$ 87	\$ 825
Contributions/Other	50,467	-	-	-
Total Revenues	\$ 63,303	\$ 6	\$ 87	\$ 825
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships	\$ 17,500	\$ 250	\$ 250	\$ 800
Total Expenditures	\$ 17,500	\$ 250	\$ 250	\$ 800
Excess (deficiency) of revenues over (under) expenditures	\$ 45,803	\$ -244	\$ -163	\$ 25
Fund balances beginning of year	255,578	702	9,552	26,707
Fund Balances End of Year	\$ 301,381	\$ 458	\$ 9,389	\$ 26,732

See accompanying independent auditor's report.

Boehm- Kooper Scholarship	Schult Scholarship	Other Scholarship	Total
\$ 18	\$ 460	\$ -	\$ 14,232
-	55	500	51,022
\$ 18	\$ 515	\$ 500	\$ 65,254
\$ -	\$ 600	\$ 500	\$ 19,900
\$ -	\$ 600	\$ 500	\$ 19,900
\$ 18	\$ -85	\$ -	\$ 45,354
1,994	37,279	-	331,812
\$ 2,012	\$ 37,194	\$ -	\$ 377,166

Sumner Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Eight Years

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Local Sources:				
Local tax	\$ 2,983,099	\$ 2,567,818	\$ 2,608,950	\$ 2,426,054
Tuition	681,366	561,519	573,371	613,436
Other	620,435	599,158	590,621	678,405
Intermediate sources	-	-	-	-
State sources	2,688,831	2,444,149	2,814,059	2,745,951
Federal sources	316,863	494,092	216,216	195,733
Total	<u>\$ 7,290,594</u>	<u>\$ 6,666,736</u>	<u>\$ 6,803,217</u>	<u>\$ 6,659,579</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 3,055,917	\$ 3,129,733	\$ 3,119,882	\$ 3,198,040
Special instruction	659,291	641,284	656,765	622,677
Other instruction	967,567	872,316	746,301	692,401
Support services:				
Student services	136,975	139,473	117,200	91,393
Instructional staff services	78,868	42,673	66,299	64,397
Administrative services	679,955	754,957	568,158	694,268
Operation and maintenance of plant services	542,998	566,754	621,286	574,069
Transportation services	345,898	324,464	316,809	258,990
Community services	-	18	13	7
Non Instructional	-	-	8,847	-
Other expenditures:				
Facilities acquisition	2,642,477	183,703	866,721	666,854
Long-term debt:				
Principal	345,232	147,575	180,150	5,150
Interest and other charges	165,515	102,362	117,866	-
AEA flow-through	241,797	241,181	206,541	203,395
Total	<u>\$ 9,862,490</u>	<u>\$ 7,146,493</u>	<u>\$ 7,592,838</u>	<u>\$ 7,071,641</u>

See accompanying independent auditor's report.

Modified Accrual Basis			
2007	2006	2005	2004
\$ 2,413,845	\$ 2,164,041	\$ 1,930,846	\$ 2,265,510
696,324	634,134	880,670	92,712
679,375	640,375	677,495	425,685
-	-	-	-
2,579,016	2,568,348	2,487,815	2,329,940
144,293	157,338	158,224	187,912
<u>\$ 6,512,853</u>	<u>\$ 6,164,236</u>	<u>\$ 6,135,050</u>	<u>\$ 5,301,759</u>

\$ 3,121,780	\$ 3,127,274	\$ 2,951,053	\$ 2,234,590
636,844	532,899	540,067	727,572
689,225	683,425	787,337	462,787
72,475	104,834	93,681	84,280
97,984	78,312	89,416	65,738
481,305	479,332	491,477	437,929
569,804	536,358	603,205	589,771
235,251	273,653	204,611	144,118
-	-	-	-
-	-	-	-
106,046	126,178	41,006	7,750
5,150	5,150	35,150	35,150
-	-	2,100	4,200
191,362	187,237	186,960	188,375
<u>\$ 6,207,226</u>	<u>\$ 6,134,652</u>	<u>\$ 6,026,063</u>	<u>\$ 4,982,260</u>

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Sumner Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sumner Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 28, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Sumner Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinions on the effectiveness of Sumner Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Sumner Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sumner Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sumner Community School District and other parties to whom Sumner Community School District may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Sumner Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

February 28, 2012

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2011

Part I – Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting:

II-A-11 Certified Budget – Disbursements for the year ended June 30, 2011 did not exceed the certified budget amounts.

II-B-11 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Stan Koester, Employee Owner Stan's Small Engine Repair	Repairs	\$1,023
Kelly Schaufenbuel, Employee Owner Hardware Hub	Supplies	\$140

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent conflicts of interest.

II-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings with all disbursements to be published within two weeks of each meeting.

Response – All minutes will be published as required.

Conclusion – Response accepted.

II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2011

Part IV - Other Findings Related to Statutory Reporting (continued):

- II-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.
- II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,026,113
Revenues/transfers in:			
Sales tax revenues	\$	327,262	
Other local revenues		4,322	
School infrastructure supplemental amount		53,839	
Sale of long-term debt		810,000	1,195,423
			<u>\$ 2,221,536</u>
Expenditures/transfers out:			
School infrastructure	\$	819	
Land purchased		-	
Buildings purchased		-	
Equipment		2,525	
Other		-	
Transfers to other funds:			
Debt service fund		280,764	
Other transfers		810,000	1,194,108
			<u>\$ 1,027,428</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.56281	\$ 381,101
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2011

Part IV - Other Findings Related to Statutory Reporting (continued):

II-M-11 Deficit Balances – Two student activity accounts has deficit balances at June 30, 2011.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate the deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

II-N-11 Student Activity Fund – In accordance with IAR 281-98.70 upon dissolution of a student activity, such as a graduated class. The surplus must be used to support other student activities in the Student Activity Fund. The District has not closed the student account for the Class of 2009.

Recommendation – The balances in the Class of 2009 should be transferred to other student activity accounts.

Response – We will transfer the account.

Conclusion – Response accepted.